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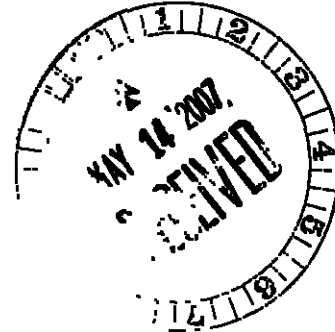
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Chairman Charles D Nottingham
Vice Chairman W Douglas Buttrey
Commissioner Francis P Mulvey
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

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Re: Ex Parte No. 671, Rail Capacity and Infrastructure Requirements

Gentlemen

CSX Transportation (CSXT) would like to thank the Board again for the invitation to share its views on rail capacity and infrastructure needs for the future. The opportunity to discuss these pressing transportation issues with the Board's members was exceedingly valuable, and it was further helpful to hear the views of a broad cross-section of rail users at the April 11 hearing.

Looking back on the hearing, we note that there was widespread agreement that the need for additional rail capacity is great, and will only become more critical in the future. Most speakers expressly welcomed additional private investment. Clearly, every group has its own primary agenda, and we should not expect those views to be omitted – even from a forum focused on investment. However, there was a noteworthy consensus that our nation faces a pressing need for transportation capacity, and all speakers saw a need for massive private and/or public capital investment in the rail system. Two themes resonated throughout the hearing: (1) Railroad earnings must be the primary source of capital for that investment, and (2) railroads must have a fair opportunity to earn market-based returns on that investment if it is to be justified. As Michael Ward said in his testimony, “At CSX we call that ‘earning the right to spend.’”

CSXT commends the Board for its efforts to look beyond its immediate case load, and to inform itself on a broad range of transportation issues, so as to better play a role in overall national transportation policy. While the Board's immediate statutory responsibilities focus heavily on dispute resolution and adjudications, it is profoundly true that the decisions of the STB have an effect on national transportation policy far out of proportion to the agency's relative size.

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In the recent past, CSXT's capital expenditures had been approximately a billion dollars a year. Since the hearing, CSXT has continued to evaluate its needs and capability to make capital investment in its rail business. The company recently announced that it expects to make core capital investments of approximately \$1.5 billion in 2007, \$1.6 billion in both 2008 and 2009, and \$1.7 billion in 2010. These investments will improve and add track, equipment, technology, and facilities to help meet customer needs and the expected increase in demand for U.S. freight transportation. These tremendous increases in investments reflect our confidence in – and commitment to – long-term growth in our core rail business.

As railroaders, we are delighted that we can justify this level of investment in our system, and pleased that our plans have not gone unnoticed. For example, FRA Administrator Joseph H. Boardman recently commended CSXT for its planned future capital investment. On May 8th, he described CSXT's investment plans as a "wise commitment to making the kind of funding priorities needed to improve its operations and better safeguard neighboring communities."

Candidly, however, we continue to believe that even this increase in capital expenditure will not be enough to meet the demands for rail service that we anticipate farther into the future. More is needed. Railroad capital investment typically ranges between 16 and 18 percent of revenues. Even as that rises, it cannot meet the need. Many key transportation policymakers in Washington see an infrastructure tax credit as a powerful way to leverage public support with private funds to further permit growth in rail capacity. CSXT welcomes the Board's continued expression of views on this issue, within the administration and on Capitol Hill.

These are exciting times for the railroad industry, as demographic changes, production shifts, and other major trends hold out the promise of huge traffic shifts from highway to rails. The Board's hearing demonstrated conclusively that there is an emerging consensus. After a half-century of ever-increasing reliance on highway transportation, mega-trends in the world economy are beginning to reverse that direction in a dramatic way. For all the reasons discussed at the hearing, transportation demand in the U.S. economy is going to surge, and only an expanded and consistently-maintained railroad network will be able to satisfy it.

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Other public policy considerations favor enhanced reliance on rail. Rail is far more fuel efficient than motor carrier, and more environmentally friendly. Efforts to reduce greenhouse gas emissions will be advanced by converting more traffic from highway to rail. Rail's safety record is superior to truck and offers quality-of-life relief to harried commuters bogged down in ever-increasing traffic on a highway system designed for the demands of the last century.

At CSXT we will continue to invest - for safety, capacity, service, and reliability. We thank the Board for its interest and for the opportunity to participate in the important April 11 hearing.

Very truly yours,


Peter J Shudtz

PJS/pkw

Enclosures

cc: Honorable Vernon A Williams, Secretary (with ten copies)